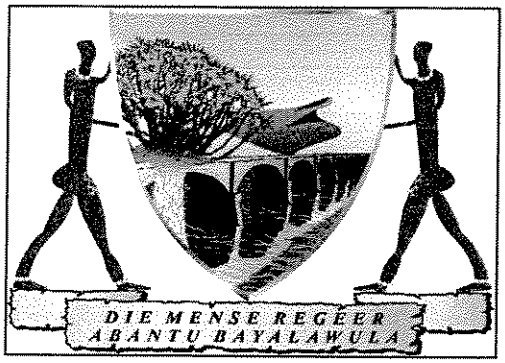

//KHARA HAIS

MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

//KHARA HAIS LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2006

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 33, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowance and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and local Government's determination in accordance with this Act.

ENTOBA
MUNICIPAL MANAGER

DATE 30/08/06

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//Khara Hais Local Municipality

STATEMENT OF FINANCIAL POSITION AT 30 June 2006

	Note	2006 R	2005 R
NET ASSETS AND LIABILITIES			
Net assets		**130,020,231**	**115,780,376**
Housing development fund	1	38,292,789	38,292,789
Transport fund		0	0
Capital replacement reserve		3,422,729	3,422,729
Government grant reserve		45,688,664	42,732,829
Public donation reserve		0	0
Capitalisation reserve		0	0
Revaluation reserve		0	0
Accumulated surplus/(deficit)		42,616,049	31,332,029
Non-current liabilities		**26,805,671**	**11,654,930**
Long-term liabilities	2	25,184,312	11,290,646
Trust accounts	3	1,621,359	364,284
Current liabilities		**34,668,790**	**20,347,680**
Consumer deposits	4	2,961,870	2,744,248
Provisions	5	3,055,000	3,220,000
Creditors	6	6,809,779	2,396,567
Unspent conditional grants & receipts	7	7,599,305	6,081,470
VAT	8	4,503,710	4,259,339
Short-term loans		0	0
Bank Overdraft	18	8,444,959	865,933
Current portion of long-term liabilities	2	1,294,166	780,124
Total net Assets and Liabilities		**191,494,692**	**147,782,987**
ASSETS			
Non-current assets		**174,426,743**	**131,395,309**
Property, plant and equipment	10	151,070,381	127,782,488
Investment property		0	0
Investments	9	23,064,280	3,325,365
Long-term receivables	10	292,082	287,456
Current assets		**17,067,949**	**16,387,678**
Inventory	11	2,602,099	2,710,962
Consumer debtors	12	13,376,455	12,076,010
Other debtors	13	1,084,635	1,595,947
Current portion of long-term debtors		0	0
Call investments	14	0	0
Bank and Cash	15	4,760	4,760
Total Assets		**191,494,692**	**147,782,987**

//Khara Hais Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 June 2006

Budget 2005 R	Budget 2006 R		Note	Actual 2005 R	Actual 2006 R
		REVENUE			
25,997,244	27,879,875	Property Rates	16	25,083,720	26,846,321
0	0	Property Rates - Penalties & Collection charges		0	0
103,358,650	110,766,077	Service Charges	17	101,965,656	105,024,332
0	0	Regional Services Levies - Turnover		0	0
0	0	Regional Services Levies - Remuneration		0	0
5,369,619	6,110,682	Rental of facilities & equipment		4,406,497	4,417,968
550,000	582,800	Interest earned - external investments		956,458	824,400
3,898,500	4,132,410	Interest earned - outstanding debtors		1,279,253	1,158,706
1,055,698	1,417,559	Fines		964,022	1,178,065
1,969,189	2,093,257	Licences & permits		806,613	844,009
12,733,600	12,505,865	Income for agency service		8,847,799	11,305,126
15,684,754	11,547,653	Government grants and subsidies	18	9,689,188	28,778,726
4,564,951	8,506,400	Other income	19	3,480,039	2,471,499
114,644	125,424	Gains on disposal of property, plant & equipment		6,389,040	4,161,870
175,296,849	185,668,002	**Sub total Revenue**		163,868,284	187,011,022
-118,990	-91,100	Less Revenue foregone		-110,948	-91,033
175,177,859	185,576,902	**Total Revenue**		163,757,336	186,919,989
		EXPENDITURE			
70,525,200	73,768,630	Employee related cost	20	62,767,442	67,026,390
1,987,423	2,064,718	Remuneration of Councillors	21	1,944,781	2,064,615
1,884,347	1,149,408	Bad debts		1,754,164	1,121,957
181,150	166,959	Collection cost		181,147	165,950
5,674,499	10,715,997	Depreciation		3,899,906	6,869,547
4,495,451	5,054,889	Repairs & maintenance		3,167,010	4,208,423
10,259,602	8,359,957	Interest paid/Capital Charges	22	2,001,285	2,728,084
27,315,854	28,643,203	Bulk Purchases	23	27,169,424	26,678,122
6,224,769	5,493,137	Contracted services		4,427,130	4,633,523
9,753,088	8,736,087	Grants & Subsidies paid	24	7,328,582	8,677,452
41,210,746	42,334,020	General expenses	25	30,314,724	43,827,840
0	0	Loss on disposal of property, plant and equipment		0	0
179,512,129	186,487,005	**Total expenditure**		144,955,593	168,001,903
-4,334,270	-910,103	SURPLUS/(DEFICIT)		18,801,743	18,918,086
		Share of surplus/(deficit) of associate accounted for under equity method			
-4,334,270	-910,103	SURPLUS/(DEFICIT) FOR THE YEAR		18,801,743	18,918,086

//Khara Hais Local Municipality

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

2005	Note	Capitalisation reserve	Housing development fund	Capital replacement reserve	Government grant reserve	Donations & Public contributions reserve	Revaluation reserve	Accumulated surplus/(deficit)	Total
		R	R	R	R	R	R	R	R
2005									
Balance at 1 July 2004		0	0	5000000	6758523	0	0	77956045	89714568
Correction of error	32	0	38292789	0	0	0	0	-38292789	0
Change in Accounting policy	31	0	0	0	-6081470	0	0	340265	-5741205
Restated Balance		0	38292789	5000000	677053	0	0	40003521	83973363
Surplus/(deficit) for the year		0	0	0	0	0	0	18801745	18801745
Reserves utilised in operating		0	0	0	0	0	0	1764119	1764119
Transfer to CRR		0	0	30000000	0	0	0	-30000000	0
Property, Plant & Equipment purchased		0	0	-31577271	31577271	0	0	0	0
Capital grants used to purchase PPE		0	0	0	11155558	0	0	0	11155558
Ofsetting of Depreciation		0	0	0	-677053	0	0	762643	85590
Other transfers		0	0	0	0	0	0	0	0
Balance at 30 June 2005		0	38292789	3422729	42732829	0	0	31332028	115780375
									0
2006									0
Correction of error	32	0	0	0	0	0	0	-1738476	-1738476
Change in Accounting policy	31	0	0	0	0	0	0	0	0
Restated Balance		0	38292789	3422729	42732829	0	0	29593552	114041899
Surplus/(deficit) for the year		0	0	0	0	0	0	18,918,086	18918086
Reserves utilised in operating		0	0	0	-3476654	0	0	0	-3476654
Transfer to CRR		0	0	0	0	0	0	0	0
Property, Plant & Equipment purchased		0	0	0	0	0	0	0	0
Capital grants used to purchase PPE		0	0	0	6554991	0	0	-6554991	0
Ofsetting of Depreciation		0	0	0	-122502	0	0	122502	0
Other transfers		0	0	0		0	0	536900	536900
Balance at 30 June 2006		0	38292789	3422729	45688664	0	0	42616049.16	130020231

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		195,718,000	176,519,722
Cash paid to suppliers and employees		-166,064,216	-152,086,107
Cash generated from/(utilised in) operations	27	29,653,784	24,433,615
Interest received		824,400	956,458
Interest paid		-2,728,084	-2,001,284
NET CASH FROM OPERATING ACTIVITIES		27,750,099	23,388,789
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-33,634,939	-42,732,829
Proceeds on disposal of property, plant and equipment		4,161,870	6,389,040
Decrease in non-current receivables		-4,627	242,151
Increase in non-current investments		-19,738,914	10,122,642
Decrease in call investment deposit		0	
NET CASH FROM INVESTING ACTIVITIES		-49,216,611	-25,978,996
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		14,428,778	-803,611
Increase in consumer deposits		217,622	426,425
NET CASH FROM FINANCING ACTIVITIES		14,646,400	-377,186
NET DECREASE IN CASH AND CASH EQUIVALENTS		**-6,820,111**	**-2,967,393**
Cash and cash equivalents at the beginning of the year		**-1,641,297**	**1,326,096**
Cash and cash equivalents at the end of the year	28	**-8,440,199**	**-1,641,297**
		6,798,902	2,967,393

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP). These accounting policies are consistent with those of the previous financial year.

he Municipality may have transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants' Accounting Practices Committee. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

4.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit)

4.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).
The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the

Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	Years		Years
Infrastructure		***Other***	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
		Watercraft	15
Community		Bins and containers	5
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill sites	15

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6. INVESTMENTS

6.1 Financial Instruments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

8. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

9. TRADE CREDITORS

Trade creditors are stated at their nominal value.

10. REVENUE RECOGNITION

10.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

10.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

10.2 Revenue from non-exchange transactions (continued)

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

12. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

13. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. COMPARATIVE INFORMATION

17.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

17.2 Pnor year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

/ / KHARA HAIS LOCAL MUNICIPALITY
ENCOURAGED ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. INVESTMENTS

1.1 Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.2 Investments in Securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the

reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

1.3 *Investments in Derivative Financial Instruments*

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise."

2. LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

4. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance

	2006	2005
	R	R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund		
Loans extinguished by Government on 1 April 1998	38,292,789	38,292,789
2 LONG-TERM LIABILITIES		
Annuity Loans	26,499,549	12,070,771
Less Current portion transferred to current liabilities		
Annuity Loans	-1,294,166	-780,124
Total External Loans	**25,205,383**	**11,290,647**
Refer to Appendix A for more detail on long-term liabilities.		
3 TRUST ACCOUNTS		
Gordonia Fund	364,284	364,284
Employee benefits in trust	1,257,074	0
Total Trust accounts	**1,621,358**	**364,284**
The movement in the non-current provision is reconciled as follows: -		
Balance at beginning of year	364,284	364,284
Received	1,257,074	
Expenditure incurred		
Increase in provision due to discounting		
Transfer to current provisions		
Balance at end of year	**1,621,358**	**364,284**
Amounts kept in trust for beneficiaries of deceased employees was not previously recognized in the accounting system of the Council This amounts are investedand utilised in terms of the stipulations of the curator of the estate		
3 CONSUMER DEPOSITS		
Electricity and Water	2,961,870	2,744,246
Total Consumer Deposits	**2,961,870**	**2,744,246**
Guarantees held in lieu of Electricity and Water Deposits	**16,000**	**16,000**
The councils policy do not allow for the payment of interest on the deposits held by the municipality		

4 PROVISIONS

Performance bonus	344,106	344,106
Long service leave	115,939	0
Total Provisions	**460,045**	**344,106**

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

The expenditureforms part of opeating expenses in the fianacial period when it is paid.

5 CREDITORS

Trade creditors	3,969,172	507,287
Payments received in advance	1,326,470	445,997
Retentions	1,388,576	1,438,029
Staff leave	3,055,000	3,220,000
Other creditors	125,561	5,254
Current portion of long term liabilities	1,294,166	780,124
	11,158,945	**6,396,691**

6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

6.1 Conditional Grants from other spheres of Government	5,087,765	6,081,469
Housing	1,505,275	1,607,822
FMG & Other	1,286,041	1,369,533
Masincedane	626,595	875,286
MIG	0	1,960,185
EPWP	833,214	5,660
Provincial LED Projects	836,640	262,983
6.2 Other Conditional Receipts		
Developers Contributions – Electricity	0	0
Public contributions		
Total Conditional Grants and Receipts	**5,087,765**	**6,081,469**

See Note 18 for reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilized

7 VAT

VAT payable	4,503,710	4,259,338

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS

8 PROPERTY , PLANT AND EQUIPMENT 30 JUNE 2006

Refer note 10.1

9 INVESTMENTS

23,064,280	3,325,365

Financial Instruments
Fixed Deposits

10 LONG-TERM RECEIVABLES

	2268
	91288
292082	193965
	287511
	-287511
292082	**0**

Pre-paid meters
Sport clubs
Sundry staff loans

Less : Current portion transferred to current receivables
Total

10.1 PROPERTY , PLANT AND EQUIPMENTS

Refer to Note on page 32 for the schedule

11 INVENTORY

2,602,099	2,710,962

Consumable stores – at cost

12 CONSUMER DEBTORS

	Gross Balances	Provision for Bad Debts	Net Balance
	R	R	R
As at 30 June 2006			
Rates & Services	31,322,455	17,946,000	13,376,455
Sundry	723,482	662,100	61,382
Total	**32,045,937**	**18,608,100**	**13,437,837**
As at 30 June 2005			
Rates & Services	31,056,009	17,435,000	13,621,009
Sundry	1,595,947	1,545,000	50,947
Total	**32,651,956**	**18,980,000**	**13,671,956**

10,077,596	10,399,797
2,503,952	1,288,895
794,076	1,487,202
473,452	1,305,247
17,473,379	16,583,868
31,322,455	**31,065,009**
94,860	87,781
1,893	10,978
6,355	5,404
2,951	11,740
617,423	1,480,044
723,482	**1,595,947**
18,980,000	20,582,620
-371,900	-1,602,620
18,608,100	18,980,000

Rates & Services
Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
More than 120 days
Total

Sundry Debtors
Current (0 – 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
More than 120 days
Total

Reconciliation of the bad debt provision
Balance at beginning of the year
Reversal of provision
Balance at end of year

13. OTHER DEBTORS

VAT Claim	1,023,164	0
Total Other Debtors	**1023164**	
Included in other debtors on balance sheet		

14. CALL INVESTMENT DEPOSITS

Other Deposits

15. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts -

Current Account (Primary Bank Account)		
ABSA Bank - Upington Branch Account Number 2240000051		
Cash book balance at beginning of year – overdrawn		117,451
Cash book balance at end of year - overdrawn	(9,778,060)	-3,101,968
Bank statement balance at beginning of year - (overdrawn)		5,030,131
Bank statement balance at end of year - (overdrawn)	(1,753,122)	35,633,785
AFF Account		
FNB Bank Limited - Upington Branch. Account Number 54023710831		
Cash book balance at beginning of year – overdrawn		148,177
Cash book balance at end of year - overdrawn	1,333,101	2,236,035
Bank statement balance at beginning of year - (overdrawn)	0	110,195
Bank statement balance at end of year - (overdrawn)	1,333,101	2,236,035
TOTAL OVERDRAFT BALANCE		
Savings Account		
ABSA Bank Limited - Upington Branch Account Number 9083294211		
Cash book balance	0	
Bank statement balance	1,037	

16. PROPERTY RATES

Actual		
Residential	18,866,897	17,386,000
Commercial	7,433,357	1,542,669
State	2,064,215	2,359,381
Total Assessment Rates	28,364,469	21,288,050

Valuations	Jul-2006 R000's	Jul-2005 R000's
Residential	1,215,754,180	1,078,106
Commercial	68,544,490	15,510
State	95,600,220	37,892
Municipal	1,800,000	1,555
Total Property Valuations	**1,381,698,890**	**1,133,063**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2001. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.017 (2004: R0.016) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an annual basis on property owners. Rates are levied on an annual basis with the final date of payment being 30 November 2005 (2004: 30 November). Interest at 18% per annum (2004: 18%) is levied on outstanding rates as well as a 10 % (2004: 10%) collection charge two months after final date of payment

17. SERVICE CHARGES

Sale of electricity	58,103,887	57,851,533
Sale of water	24,157,970	23,367,147
Refuse removal	8,307,918	8,537,166
Sewerage and sanitation charges	13,456,131	11,668,481
Other services	998,426	541,329
Total Service Charges	**105,024,332**	**101,965,656**

18. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	12,882,801	9,095,367
Housing subsidies	6,562,557	0
NER	2,337,000	0
FMG & Other	88,087	498,740
Masincedane	710,857	95,081
MIG	4,573,056	0
EPWP	1,624,368	0
Total Government Grant and Subsidies	**28,778,726**	**9,689,188**

18.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R87.00 (2005: R87.00), which is funded from this grant

18.2 Housing Subsidies

Balance unspent at beginning of year	1,607,822	-
Current year receipts -	6,460,010	-
Conditions met - transferred to revenue	(6,562,557)	-
Conditions still to be met - transferred to liabilities (see note 6)	1,505,275	-

The Municipality administrate the housing projects on behalve of the department of Housing

18.3 NER Subsidy

The NER subsidy is included as an capital income utilised for spesific purposes according to an approved business plan

18.4 Macincedane

Balance unspent at beginning of year	875,286	-
Current year receipts	462,166	-
Conditions met - transferred to revenue	(710,857)	-
Conditions still to be met - transferred to liabilities (see note 6)	626,595	-

18.5 MIG

Balance unspent at beginning of year	1,960,185	-
Current year receipts - included in public health vote	5,696,745	3,000,000
Conditions met - transferred to revenue	(7,656,930)	1,039,815
Conditions still to be met - transferred to liabilities (see note 6)	-	1,960,185

The Municipal infrastructure grant is utilised for the construction of infrastructure in terms of the conditions of the grant

18.6 EPWP

Balance unspent at beginning of year	5,660	35,000
Current year receipts - included in public health vote	2,451,922	
Conditions met - transferred to revenue	(1,624,368)	(29,340)
Conditions still to be met - transferred to liabilities (see note 6)	833,214	5,660

18.7 Provincial LED projects

Balance unspent at beginning of year	438,556	427,175
Current year receipts	588,000	
Conditions met - transferred to revenue	(14,343)	-
Conditions still to be met - transferred to liabilities (see note 6)	1,012,213	438,556

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). No funds have been withheld

18.7 FMG & Other

Balance unspent at beginning of year	1,369,533	1,000,000
Current year receipts		
Conditions met - transferred to revenue	(83,492)	(919,560)
Conditions still to be met - transferred to liabilities (see note 6)	1,286,041	80,440

19. OTHER INCOME

Other income		
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 31)	0	0
Total Other Income	**0**	**0**

20. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	44,196,019	40,891,186
Employee related costs - Contributions for UIF, pensions and medical aids	13,726,871	12,619,149
Housing benefits and allowances	3,032,648	3,137,906
Overtime payments	3,101,300	2,692,115
Performance bonus	4,063,375	3,265,952
Long-service awards	165,893	161,134
Less: Employee costs capitalised to Property, Plant and Equipment	-640,858	0
Less: Employee costs included in other expenses	-618,858	0
Total Employee Related Costs	**67,026,390**	**62,767,442**

There were no advances to employees. Loans to employees are set out in note 10

Remuneration of the Municipal Manager		
Annual Remuneration	349,105	334,322
Performance Bonuses	86,460	47,239
Car Allowance	227,299	208,482
Contributions to UIF, Medical and Pension Funds		972
Total	662,864	591,015
Remuneration of the Chief Finance Officer		
Annual Remuneration	231,507	220,896
Performance Bonuses	58,708	32,076
Car Allowance	154,340	140,743

Contributions to UIF, Medical and Pension Funds		6,520
Total	444,555	400,235

Remuneration of Individual Executive Directors

	Technical Services	Corporate Services	Community Services
		R	R
30 June 2006			
Annual Remuneration	324,000	326,937	258,926
Performance Bonuses	75,503	-	63,441
Car Allowance	82,828	96,000	68,970
Medical and pension funds	74,631	0	0
Total	556,962	422,937	391,337
30 June 2005			
Annual Remuneration	294,000	247,984	297,440
Performance Bonuses	38,880	27,216	-
Car Allowance	97,774	54,868	110,799
Medical and pension funds	80,527	55,854	-
Total	511,181	385,922	408,239

21. REMUNERATION OF COUNCILLORS

Executive Mayor	272,683	229,245
Deputy Executive Mayor	-	-
Speaker	218,754	190,220
Executive Committee Members	402,732	330,591
Councillors	1,004,399	837,312
Councillors' pension contribution	194,849	-
Total Councillors' Remuneration	**2,093,417**	**1,587,368**

In-kind Benefits

The Mayor, Speaker and are full-time. Each is provided with an office and secretarial support at the cost of the Council

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a Council owned vehicle for official duties

22. INTEREST PAID

Long-term liabilities	2,701,939	2,001,284
Bank overdrafts		
Total Interest on External Borrowings	**2,701,939**	**2,001,284**

23. BULK PURCHASES

Electricity	25,616,984	26,008,829
Water	1,061,139	1,160,594
Total Bulk Purchases	**26,678,123**	**27,169,423**

24. GRANTS AND SUBSIDIES PAID

Free Basic services	8,677,452	7 328,582

25. GENERAL EXPENSES

Included in general expenses are the following -		
General expenses		
25.1 Flood damage(not applicable at the Municipality)	43,827,840	30,314,724
	43,827,840	**30,314,724**

Flood damage costs resulted from unseasonal floods that occurred in 3 squatting areas. The Municipality had to provide transport, temporary shelter and food aid to affected residents until the flooding subsided and residents were able to return to their homes. The flood damage was unforeseen and has never occurred previously

25.2 Net exchange differences (N/A)

Loss attributable to operating activities – importation of chemicals

25.3 Material losses (N/A)

26 CORRECTION OF ERROR

During the year ended 30 June 2005, Housing done on behalve of the department of housing was incorrectly disclosed as assets where it should have been disclosed as part of normal operating income and expenditure

The comparative amount has been restated as follows. -

The assets are restated with the amount of	
Depreciation	-3,476,654
Net effect on surplus/(deficit) for the year	0
	3476654

During the implementation of GAMAP, the housing development fund was written off. The fund is now restated until a decision from the housing board can be obtained to write it off. This is not a cash backed fund

The comparative amount has been restated as follows -

The fund is restated with the amount of	
Depreciation	-38,292,789
Net effect on surplus/(deficit) for the year	0
	38282789

27 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	18,918,086	18,801,745
Adjustment for:-		
Depreciation	-6,876,874	-3,899,905
Gain on disposal of property, plant and equipment	4,161,870	6,389,040
Correction of error	1,738,476	1754164
Other adjustments	116,429	340,265
Contribution to provisions – current	5,895,589	1,754,164
Interest paid	-2,728,084	-2,001,284
Investment income	824,400	956,458
Operating surplus before working capital changes:	**22,049,891**	**24,094,647**
Decrease in inventories	-108,862	191,434
(Increase)/decrease in debtors	1,746,442	-4,366,415
(Increase)/decrease in other debtors	-490,103	67,785
Increase in provisions	-165,000	615,754
(Decrease)/increase in conditional grants and receipts	1,517,835	1,764,119
Increase in creditors	4,859,209	1,168,299
Increase in VAT	244,372	
Cash generated by/(utilised in) operations	**29,653,784**	**23,535,623**

28 CASH AND CASH EQUIVALENTS

financial position

Bank balances and cash	1,337,861	2,240,795
Bank overdrafts	-9,778,060	-3,101,968
Call investment deposits		
Total cash and cash equivalents	**-8,440,199**	**-861,173**

UTILISATION OF LONG-TERM LIABILITIES

29 RECONCILIATION

Long-term liabilities (see Note 2)	26,293,785	12,070,771
Used to finance property, plant and equipment – at cost	-23548820	-12070771
Sub- total	2,744,965	0
Cash set aside for the repayment of long-term liabilities	0	0
Cash invested	**2,744,965**	**0**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date

30 EXPENDITURE DISALLOWED

30.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure	0	0
Opening balance	0	0
Unauthorised expenditure current year	0	0
Approved by Council or condoned	0	0
Transfer to receivables for recovery (note 13)	0	0
Unauthorised expenditure awaiting authorization	**0**	**0**

Incident	steps/criminal
Unbudgeted expenditure	on 7 July 2004

30.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	0	0
Fruitless and wasteful expenditure current year	0	0
Condoned or written off by Council	0	0
To be recovered – contingent asset (see note 46)	0	0
Fruitless and wasteful expenditure awaiting condonement	0	0

Incident	steps/criminal
Breach of occupational safety rules	October 2003

30.3 Irregular expenditure

Reconciliation of irregular expenditure	0	0
Opening balance	0	0
Fruitless and wasteful expenditure current year	0	0
Condoned or written off by Council	0	0
Transfer to receivables for recovery – not condoned	0	0
Irregular expenditure awaiting condonement	0	0

Incident	steps/criminal
Theft of fuel	SAPS case number

31 MANAGEMENT ACT

31.1 Contributions to organized local government

Opening balance	0	0
Council subscriptions	0	0
Amount paid - current year	0	0
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

31.2 Audit fees

Opening balance		
Current year audit fee	328,024	405617
Amount paid - current year	328,024	
Amount paid - previous years		405617
Balance unpaid (included in creditors)	-	0

during May and June 2006 and is payable by 31 July 2006

31.3 VAT

VAT returns have been submitted by the due date throughout the year

31.4 PAYE and UIF

Opening balance		(378,919)
Current year payroll deductions	(923,305)	
Amount paid - current year	923,305	
Amount paid - previous years		378,919
Balance unpaid (included in creditors)	-	-

These amounts were paid during July 2006

32.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	-891022	-1032173
Amount paid - current year	891022	1,032,173
Amount paid - previous years		
Balance unpaid (included in creditors)	0	-

employees in the June 2006 payroll as well as Council's contributions to

32.6 Councillor's arrear consumer accounts

(None)

	Total	Outstanding less than 90 days	Outstanding more than 90 Days
30th June 2006			
(None)			

Total Councillor Arrear Consumer Accounts	0	0

30th June 2005
(None)

Total Councillor Arrear Consumer Accounts	0	0

	Highest Amount Outstanding	Ageing Days

30th June 2006
(None)

30th June 2005
(None)

32.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has developed a supply chain management policy due to be adopted by Council

33. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure.

- Approved and contracted for	37,747,000	41,565,089
Infrastructure	156,000	
Community	16,070,000	
Heritage	-	
Other	21,521,000	
- Approved but not yet contracted for	38,475,000	40,548,633
Infrastructure	9,360,000	
Community	17,456,000	
Heritage	-	
Other	11,659,000	
Total	76,222,000	82,113,722

This expenditure will be financed from

- External Loans	15,000,000	40,548,633
- Government Grants	11,274,000	13,057,853
- Own resources	49,948,000	28,507,236
- District Council Grants		
	76,222,000	82,113,722

34. RETIREMENT BENEFIT INFORMATION

All Councilors and employyee belong to different pension and retiremnet funds. These funds are subject to Council approval before implementation

35. CONTINGENT LIABILITY

35.1 Claim for damages

(none)

35.2 Performance bonus dispute – Legal fees

(none)

payment of performance bonuses. Provision has been made for the payment

36. CONTINGENT ASSET

(None)

37. IN-KIND DONATIONS AND ASSISTANCE

(None)

Description

38. EVENTS AFTER THE REPORTING DATE

Reprospective payment of Councilors allowance with effect from 8 March 2006

39. COMPARISON WITH THE BUDGET

budgeted is set out in Annexures E(1) and E(2)

// Khara Hais Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/2005	Received during the period	Redeemed written off during the period	Balance at 30/06/2006	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
Annuity Loans								
Development Bank of SA @ 16.5%	exl 1	31/03/2021	10,477,477	-87,734	199,344	10,190,399	0	0
Development Bank of SA @ 12%	exl 2	31/03/2015	1,593,294	134,155	94,222	1,633,227	0	0
ABSA Bank @ 10.04%	6309/6496	31/08/2015		3,024,148	137,333	2,886,815	1,937,619	0
ABSA Bank @ 10.07%	6353/0507	02/11/2015		2,032,468	60,159	1,972,309	1,874,001	0
ABSA Bank @ 10.12%	6396/1623	31/12/2015		5,007,853	160,588	4,847,265	4,306,816	0
ABSA Bank @ 10.17%	6447/8475	29/02/2016		5,042,103	72,569	4,969,534	3,359,613	0
TOTAL EXTERNAL LOANS			12,070,771	15,152,993	724,215	26,499,549	11,478,049	0

//Khara Hais Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 June 2006

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance	Additions	Revaluation	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value	Budget additions 2006
Land and Buildings											
Land and Buildings	248,014	118,230	0	0	366,244	0	0	0	0	366,244	300,000
	248,014	118,230	0	0	366,244	0	0	0	0	366,244	300,000
Infrastructure											
Dams											
Roads	415,660	125,588	0	0	541,268	30,141	23,704	0	53,845	487,423	252,000
Sewerage mains & Purification	47,250,007	2,518,094	0	0	49,768,101	41,579,767	553,775	0	42,133,542	7,634,559	7,799,865
Electricity mains	21,641,238	5,667,545	0	0	27,308,783	15,781,847	382,879	0	16,164,726	11,144,057	10,270,560
Electricity Peak control equipment	51,407,223	4,944,885	0	0	56,352,108	30,208,586	1,027,240	0	31,235,826	25,116,282	10,049,287
Water mains & Purification	165,576	0	0	0	165,576	340	8,279	0	8,619	156,957	0
Reservoirs water	34,902,276	5,031,688	0	0	39,933,964	17,763,670	989,598	0	18,753,268	21,180,696	16,716,282
Water meters	5,911,349	1,041,812	0	0	6,953,161	5,257,980	64,857	0	5,322,837	1,630,324	0
Pedestrian facilities	2,158,044	152,408	0	0	2,310,452	121,502	148,693	0	270,195	2,040,257	1,087,880
Airports	1,394,916	2,270,664	0	0	3,665,580	31,448	120,406	0	151,854	3,513,726	377,626
Security Measures	0	0	0	0	0	0	0	0	0	0	0
	718,740	345,411	0	0	1,064,151	332,680	208,302	0	540,982	523,169	1,467,343
Community assets	165,965,049	22,098,095	0	0	188,063,144	111,107,961	3,527,733	0	114,635,694	73,427,450	48,020,843
Parks & Gardens											
Libraries	641,649	377,955	0	0	1,019,604	0	0	0	0	1,019,604	380,000
Recreation Grounds	4,780,000	0	0	0	4,780,000	0	0	0	0	4,780,000	0
Civic Buildings	20,193,448	34,804	0	0	20,228,252	15,092,920	25,430	0	15,118,350	5,109,902	1,072,137
Clinics	63,439,068	1,439,985	0	0	64,879,053	30,478,717	38,046	0	30,516,763	34,362,290	6,783,373
Cemeteries	3,217,400	0	0	0	3,217,400	0	0	0	0	3,217,400	0
Other	6,936,420	2,703	0	0	6,939,123	0	0	0	0	6,939,123	21,000
Old age Homes	1,163,000	0	0	0	1,163,000	1,162,998	0	0	1,162,998	2	0
	0	0	0	0	0	0	0	0	0	0	0
	100,370,985	1,855,447	0	0	102,226,432	46,734,635	63,476	0	46,798,111	55,428,321	8,256,510
Heritage Assets											
Historical buildings	1,965,870	0	0	0	1,965,870	0	0	0	0	1,965,870	0
Paintings & Art Galleries	254,289	0	0	0	254,289	4,630	0	0	4,630	249,659	0
	2,220,159	0	0	0	2,220,159	4,630	0	0	4,630	2,215,529	0
Housing Rental Stock											
Housing Schemes	11,135,663	119,998	0	-3,476,654	7,779,007	7,020,415	0	0	7,020,415	758,592	7,172,279
	11,135,663	119,998	0	-3,476,654	7,779,007	7,020,415	0	0	7,020,415	758,592	7,172,279
Other Assets											
Landfill sites	168,300	0	0	0	168,300	168,299	0	0	168,299	1	
Office Equipment	1,511,630	632,416	0	697	2,144,743	1,132,337	182,704	-15	1,315,026	829,717	2,781,285
Furniture & Fittings	2,227,799	461,292	0	0	2,689,091	1,688,939	107,492	-512	1,795,919	893,172	385,150
Bins & Containers	5,571	0	0	0	5,571	5,570	0	0	5,570	1	0
Emergency equipment	898,950	0	0	0	898,950	722,844	13,592	0	736,436	162,514	0
Motor Vehicles	15,133,032	3,382,663	0	0	18,515,695	9,567,681	1,425,816	0	10,993,497	7,522,198	2,645,917
Fire engines	723,832	264,178	0	0	988,010	62,613	48,206	0	110,819	877,191	300,000
Other Transport	72,264	0	0	0	72,264	72,261	0	0	72,261	3	0
Computer equipment	5,499,820	1,419,417	0	-697	6,918,540	3,355,672	861,411	-261	4,216,822	2,701,718	2,682,102
Plant & Equipment	11,221,974	3,283,203	0	-63,449	14,441,728	7,975,872	545,914	-67,758	8,554,028	5,887,700	4,719,376
	37,463,172	9,443,169	0	-63,449	46,842,892	24,752,088	3,285,135	-68,546	27,968,677	18,874,215	13,513,830
Inventory Items											
Small assets	63,938	0	0	-41,603	22,335	64,763	530	-42,988	22,305	30	0
	63,938	0	0	-41,603	22,335	64,763	530	-42,988	22,305	30	0
	317,466,980	33,634,939	0	-3,581,706	347,520,213	189,684,492	6,876,874	-111,534	196,449,832	151,070,381	77,283,462

//Khara Hais Local Municipality

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2006

	Cost/Revaluation					Accumulated Depreciation					
	Opening Balance	Additions	Revaluation	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value	Budget additions 2006
Executive & Council	86,386	115,038		19,595	221,019	17,310	28,523	-252	45,581	175,438	79,000
Finance & Admin	231,024,147	3,084,384	0	-55,256	234,053,275	165,773,949	1,233,712	-36,547	166,971,114	67,082,161	14,560,958
Planning & Development	624,697	89,430	0	-5,893	708,234	469,397	25,620	-7,035	487,982	220,252	105,880
Health	456,383	0	0	0	456,383	456,179	0	0	456,179	204	0
Community & Social	325,318	557,671	0	-2,106	880,883	139,925	38,553	0	178,478	702,405	1,071,398
Housing (i)	3,494,623	15,725	0	-3,476,654	33,694	94,996	703	0	95,699	-62,005	7,188,199
Public Safety	2,960,661	897,821	0	-96,117	3,762,365	2,024,945	118,589	-1,789	2,141,745	1,620,620	1,305,424
Sport & Recreation	1,933,203	853,375	0	-2,260	2,784,318	329,874	95,436	-560	424,750	2,359,568	2,748,960
Environmental Services	153,115	23,588	0	0	176,703	117,266	10,459	-728	126,997	49,706	23,880
Waste Management	8,158,393	6,016,097	0	0	14,174,490	295,708	509,878	-2,399	803,187	13,371,303	18,033,012
Road transport	31,255,722	8,652,710	0	-61,236	39,847,196	16,416,321	2,724,676	-61,235	19,079,762	20,767,434	0
Water	20,948,005	6,185,104	0	96,117	27,229,226	1,147,237	1,225,334	0	2,372,571	24,856,655	18,892,786
Electricity	14,818,210	6,619,933	0	-2	21,438,141	1,762,527	781,832	-988	2,543,371	18,894,770	13,037,965
Other	1,228,118	524,062	0	2,106	1,754,286	638,858	83,559	0	722,417	1,031,869	216,000
TOTAL	317,466,981	33,634,938	0	-3,581,706	347,520,213	189,684,492	6,876,874	-111,533	196,449,833	151,070,380	77,263,462

(i) Construction of houses on behalve of the department of housing was included in the capital budget and asset register. Refer to statement of changes in nett asset for corrections

//Khara Hais Local Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30-Jun-2006

2005 Actual Income 0	2005 Actual Expenditure 0	2005 Surplus/ (Deficit) 0		2006 Actual Income 0	2006 Actual Expenditure 0	2006 Surplus/ (Deficit) 0
21,297,040	5,396,773	15,900,268	Executive & Council	22,841,904	5,276,431	17,565,473
20,485,033	25,375,390	(4,890,357)	Finance & Admin	27,162,616	31,541,674	(4,379,058)
653,935	5,149,420	(4,495,486)	Planning & Development	507,297	5,865,058	(5,357,762)
0	1,215,610	(1,215,610)	Health	0	1,101,277	(1,101,277)
275,443	2,197,066	(1,921,623)	Community & Social	535,449	2,580,029	(2,044,580)
51,366	522,249	(470,884)	Housing	6,566,908	7,043,988	(477,080)
11,489,670	18,636,688	(7,147,018)	Public Safety	14,217,143	20,906,298	(6,689,156)
4,074,731	13,145,265	(9,070,534)	Sport & Recreation	4,075,707	14,516,639	(10,440,932)
3,893,559	1,656,222	2,237,337	Environmental Services	4,151,799	1,845,998	2,305,801
20,325,146	21,343,899	(1,018,752)	Waste Management	21,918,839	24,420,021	(2,501,183)
0	29,340	(29,340)	Road transport	0	0	0
23,367,147	11,310,179	12,056,968	Water	24,243,394	12,612,300	11,631,094
57,844,054	37,759,473	20,084,581	Electricity	60,667,908	38,863,711	21,804,197
111,162	1,328,968	(1,217,806)	Other	122,060	1,519,511	(1,397,451)
163,868,284	**145,066,541**	**18,801,743**	**Sub Total**	**187,011,022**	**168,092,936**	**18,918,086**
3,043,246	3,043,246	0	Less Inter-Departmental Charges	3,310,504	3,310,504	0
166,911,530	**148,109,787**	**18,801,743**	**Total**	**190,321,526**	**171,403,440**	**18,918,086**

//Khara Hais Local Municipality

APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 June 2006

	Actual 2006 R	Budget 2006 R	Variance 2006 R	Variance 2006 2006	Explanation of significant Variances
REVENUE					
Property rates	26,846,321	27,879,875	1,033,554	-4	
Service Charges	105,024,332	110,766,077	5,741,745	-5	
Rental : Property & Equipment	4,417,968	6,110,682	1,692,714	-38	Some properties remain empty due to maintenance.
Interest earned - external investment	824,400	582,800	-241,600	29	Due to the surplus cash, then more investmnet were made.
Interest earned - outstanding debtors	1,158,706	4,132,410	2,973,704	-257	The payment rate of oustanding debtors has increases dramatical .
Fines	1,178,065	1,417,559	239,494	-20	There are a lot of outstanding traffic fines.
Licenses & Permits	844,009	2,093,257	1,249,248	-148	With the new system there were more allocations made to licences
Agency services	11,305,126	12,505,865	1,200,739	-11	New contract with Sol Platjies secure more funds for the Municipality.
Government grants & Subsidies	28,778,726	11,547,653	-17,231,073	60	More equitable share were allocated and housing grants were allocated
Other income	2,471,499	8,506,400	6,034,901	-244	Repaymentr of income tax from SARS
Gains on disposal of PPP	4,161,870	125,424	-4,036,446	97	The gain on disposal o fequipment for 2004/05 financial were only captured this financial year.
Total revenue	187,011,022	185,668,002			
Less Income forgone	-91032.75	-91,100	-67	0	
	186,919,989	185,576,902			
EXPENDITURE					
Employee related costs	67,026,390	73,768,630	-6,742,241	-10	some vacancies were not filled
Remuneration Councillors	2,064,615	2,064,718	-103	0	
Bad debts written-off	1,121,957	1,149,408	-27,451	-2	
Collection costs	165,950	166,959	-1,009	-1	
Depreciation	6,869,547	10,715,997	-3,846,450	-56	A lot of asset were rolled over to the 2006/07 financial year.
Repairs & Maintenance	4,208,423	5,054,889	-846,466	-20	Due to the absence of the mainenance plan and the asset policy.
Interest on external borrowings	2,728,084	8,359,957	-5,631,873	-206	External loans were received at the midlle of the financial year
Bulk purchases	26,678,122	28,643,203	-1,965,081	-7	
Contracted services	4,633,523	5,493,137	-859,614	-19	more money was spend on professioal fees for projects
Grants & Subsidies paid	8,677,452	8,736,087	-58,635	-1	
General expenses- other	26,127,758	24,707,482	1,420,277	5	
Loss on disposal of PPP	0	0	0	0	
Internal transfers/Departmental charges	17,700,082	17,626,538	73,544	0	
Total expenditure	168,001,903	186,487,005			
NET SURPLUS/(DEFICIT)	18,918,086	-910,103			

//Khara Hais Local Municipality

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY,PLANT & EQUIPMENT) FOR THE YEAR ENDED 30 June 2006

	Actual 2006 R	Budget 2006 R	Variance 2006 R	Variance 2006 %	Explanation of significant Variances
Land and Buildings					
Land and Buildings	118,230	300,000	-181,770	-61	The project rolls over to the next financial 2006/2007
	118,230	300,000	-181,770	-61	
Infrastructure					
Drains	125,588	252,000	-126,412	-50	The project is still in process
Roads	2,518,094	7,799,865	-5,281,771	-68	The project is still in process
Sewerage mains & Purification	5,667,545	10,270,560	-4,603,016	-45	The project is still in process
Electricity mains	4,944,885	10,049,287	-5,104,402	-51	
Electricity Peak control equipment	0	0	0	0	
Water mains & Purification	5,031,688	16,716,282	-11,684,594	-70	The project was not coplete and roll over to 2006/2007 financial year
Reservoirs water	1,041,812	0	1,041,812	0	
Water meters	152,408	1,087,880	-935,472	-86	The project still in press in the 2006/2007 financial year
Pedestrian facilities	2,270,664	377,626	1,893,038	501	
Airports	0	0	0	0	
Security Measures	345,411	1,467,343	-1,121,932	-76	
	22,098,095	48,020,843	-25,922,748	-54	
Community assets					
Parks & Gardens	377,955	380,000	-2,045	-1	
Libraries	0	0	0	0	
Recreation Grounds	34,804	1,072,137	-1,037,333	-97	The project is roll over to 2006/2007 financial year
Civic Buildings	1,439,985	6,783,373	-5,343,388	-79	The project is roll over to 2006/2007 financial year
Clinics	0	0	0	0	
Cemeteries	2,703	21,000	-18,297	-87	The project is roll over to 2006/2007 financial year
Other	0	0	0	0	
Old age Homes	0	0	0	0	
	1,855,447	8,256,510	-6,401,063	-78	
Heritage Assets					
Historical buildings	0	0	0	0	
Paintings & Art Galleries	0	0	0	0	
	0	0	0		
Housing Rental Stock					
Housing Schemes	119,998	7,172,279	-7,052,281	-98	
	119,998	7,172,279	-7,052,281		
Other Assets					
Landfill sites	0	0	0	0	
Office Equipment	632,416	2,781,285	-2,148,869	-77	The office equipment was not bought for financial year
Furniture & Fittings	461,292	385,150	76,142	20	
Bins & Containers	0	0	0	0	
Emergency equipment	0	0	0	0	
Motor Vehicles	3,382,663	2,645,917	736,746	28	
Fire engines	264,178	300,000	-35,822	-12	
Other transport	0	0	0	0	
Computer equipment	1,419,417	2,682,102	-1,262,685	-47	The emaining budgeted amount has tranfered to the 2006/2007 financial year
Plant & Equipment	3,283,203	4,719,376	-1,436,173	-30	
	9,443,169	13,513,830	-4,070,661	-30	
Inventory Items					
Small assets	0	0	0	0	
	33,634,939	77,263,462	-43,628,523	-56	

10 PROPERTY, PLANT AND EQUIPMENT

30 June 2006 Reconciliation of Carrying Value	Land and Buildings R	Infra-structure R	Community R	Heritage R	Other R	Total R
Carrying values at 1 July 2005	**886,608**	**54,857,088**	**53,636,350**	**2,215,529**	**37,527,110**	**149,122,685**
Cost	11,383,677	165,965,049	100,370,985	2,220,159	37,527,110	317,466,980
Correction of error (note 26)	-3,476,654					-3,476,654
Accumulated depreciation	-7,020,415	-111,107,961	-46,734,635	-4,630	-24,816,851	-189,684,492
Acquisitions	238,228	22,098,095	1,855,447	0	9,443,169	33,634,939
Capital under Construction						
Depreciation	0	-3,527,733	-63,476	0	-3,285,665	-6,876,874
Carrying value of disposals	0	0	0	0	6,482	6,482
Cost	0	0	0	0	-105,052	-105,052
Accumulated depreciation	0	0	0	0	111,534	111,534
Impairment losses	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
Carrying values at 30 June 2006	**1,124,836**	**73,427,450**	**55,428,321**	**2,215,529**	**18,874,245**	**151,070,381**
Cost	8,145,251	188,063,144	102,226,432	2,220,159	46,865,227	347,520,213
Accumulated depreciation	-7,020,415	-114,635,694	-46,798,111	-4,630	-27,990,982	-196,449,832

30-Jun-05 Reconciliation of Carrying Value	Land and Buildings R	Infra-structure R	Community R	Heritage R	Other R	Total R
Carrying values at 1 July 2004	**175,428**	**28,969,705**	**51,600,552**	**2,124,179**	**7,474,287**	**90,344,151**
Cost	7,115,146	137,832,281	98,306,596	2,128,809	30,820,689	276,203,521
Correction of error (note 26)						
Accumulated depreciation	-6,939,718	-108,862,576	-46,706,044	-4,630	-23,346,402	-185,859,370
Acquisitions	4,303,249	28,157,716	2,014,989	91,350	8,165,525	42,732,829
Capital under Construction						
Depreciation	-80,697	-2,245,385	-28,591	0	-1,546,641	-3,901,314
Carrying value of disposals	0	0	0	0	0	0
Cost	0	0	0	0	-1,459,104	-1,459,104
Accumulated depreciation	0	0	0	0	76,192	76,192
Impairment losses	0	0	0	0	0	0
Other movements	-34,718	-24,949	49,401	0		-10,266
Carrying values at 30 June 2005	**4,363,262**	**54,857,087**	**53,636,351**	**2,215,529**	**12,710,259**	**127,782,488**
Cost	11,383,677	165,965,048	100,370,986	2,220,159	37,527,110	317,466,980
Accumulated depreciation	-7,020,415	-111,107,961	-46,734,635	-4,630	-24,816,851	-189,684,492

Note 10.1 on page 14

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17
The Municipality is ijn the process of itemizing all infrastructure and community assets and will recalculate depreciation once this exercise has been completed by 30 June 2007. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community asset, using glabal historical costs recorded in the accounting records.
Furthermore, the Municipality has not assessed whether items of property, plan and equipment are impared. It is expected that an assessment of imparments will be done by 30 June 2007.

Assets are recordeed in an asset register, at cost, on receipt of item. Cost of a asset is defined as the total cost acquisition Assets procured in previous financial period, may be stated at fair valeu, where determined, or R1 in instanances where the original cost of acqisition of fair value cannot be established. No revaluation or impairment of assets is currently recognized in the asset register.

Projects(of contruction/development) running over more than one financial year relating to assets, are only brought into asset register on completion of the project and at the total cost incurred over the duration of the project

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure				
		March	June	Sept	Dec	March	March	June	Sept	Dec	March
Equitable Share	National Treasury	4,294,267	-	-	4,294,267	4,294,267	1,679,371	1,679,371	1,679,371.0	1,679,371	1,679,371.00
Housing subsidies	Provincial(dplg)	2,400,000	1,607,822		1,674,264	777,924	1,640,639		1,640,639	1,640,639	1,640,639
NER	NER										
FMG	National Treasury	0	0	0	0	0	0	0			
Maintenance	Provincial (Eduation)	-	875,286	0	0	0			58,681	84,207	319,278
MIG	National (dplg)	0	1960185	2,848,372		988,100	1,914,232		1,914,232		1,914,236
EPWP	Transport and Roads(National)		566,000	350,000	781,000	754,922		781,560		652,000	897,808

Name of Grants	Name of organ of state or municipal entity	Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		March	June	Sept	Dec	March		Yes / No	
Equitable Share	National Treasury	None	None	None	None	None		Yes	
Housing subsidies	Provincial(dplg)	None	None	None	None	None		Yes	
NER	NER	None	None	None	None	None		Yes	
FMG	National Treasury	Yes					No more Interns at the Municipity	Yes	
Maintenance	Provincial (Eduation)							Yes	
MIG	National (dplg)							Yes	
EPWP	Transport and Roads(National)							Yes	